
UNIT 17 ORGANISATIONAL CULTURE AND CLIMATE

Structure

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17.0 OBJECTIVES

After studying this unit, you should be able to :

- explain the meaning of organisational culture;
- describe various factors influencing organisational culture;
- explain functions of organisational culture;
- identify various impact created by organisational culture;
- describe steps leading to building effective organisational culture;
- discuss the concept of organisational climate;
- describe the dimensions of organisational climate; and
- suggest the process of creating favourable organisational climate.

1.1 INTRODUCTION

Organisational culture refers to a system of shared meaning held by its members. It is expressed in terms of norms, values, attitudes and beliefs shared by organisational members. The organisational culture must be created and sustained in such a way that it develops the congenial environment in the organisation. On the other hand, organisational climate consists of a set of characteristics and factors that are perceived by the employees about their organisation. Organisation must create favourable organisational climate for improving the organisational effectiveness. In this unit, you will learn the concept, basic elements, functions, factors and impact of organisational culture. You will be acquainted with the concept of culture

person compatibility and the process of development of organisational culture. You will further learn the concept and dimensions of organisational climate and the process of creation of the favourable organisational climate.

17.2 CONCEPT OF ORGANISATIONAL CULTURE

Culture is the pivot of any group or society. It determines the way members interact with one another and with outsiders. Stoner, Freeman and Gilbert have described culture, as the complex mixture of assumptions, behaviours, stories, myths, metaphors, and other ideas that fit together to define what it means to be a member of a particular society. However scope of this chapter is limited to the study of culture within the organisation.

When an organisation takes on a life of its own, apart from any of its members, and acquires immortality, the organisation is said to be institutionalised. When an organisation takes on institutional permanence, acceptable modes of behaviour become largely self-evident to its members. So an understanding of what makes up an organisation's culture, and how is it created, sustained, and learnt will enhance our ability to explain and predict the behaviour of people at work. Organisational culture is described as the set of important understandings, such as norms, values, attitudes, and beliefs, shared by organisational members. According to the recent understanding about organisational culture, 'system of shared meaning among members', is the essential core of organisational culture.

According to Elliott Jacques, an organisational culture is the customary or traditional ways of thinking and doing things, which are shared to a greater or lesser extent by all members of the organisation, which new members must learn and at least partially accept in order to be accepted into the service of the firm.

According to various studies, following are the primary characteristics of an organisation's culture:

Innovation and Risk Taking: The degree to which employees are encouraged to take innovative steps and to take calculated risk;

Attention to Detail: The degree to which employees are expected to pay attention to detail;

Outcome Orientation: The degree to which management focuses outcome rather than on process to achieve outcome;

People Orientation: The degree to which management gives attention to effect of decisions on people working in the organisation and on its shareholders;

Team Orientation: The degree to which works are organised around team rather than individuals;

Aggressiveness: The degree to which people are aggressive or competitive rather than easygoing;

Stability: The degree to which maintaining status quo is emphasized in contrast to growth;

Individual Autonomy: The degree of responsibility, independence, and opportunities for exercising initiative that individuals in an organisation have;

Structure: The degree of rules and regulations and the amount of direct supervision that is used to oversee and control behaviour;

Support: The degree of assistance and warmth managers provide for their subordinates;

Identity: The degree to which members identify with the organisation as a whole rather than with their particular work group or field of professional expertise;

Performance-Reward: The degree to which reward in the organisation are based on employee work performance;

Conflict Tolerance: The degree of conflict present in relationships between peers and work groups as well as the willingness to be honest and open about differences;

Attitude Towards Change: The response given to new methods, ways, and values;

Focus: the vision of the goals and objectives of an organisation's operations as communicated by those in control;

Standard and Values: The levels of performance and behaviour considered to be acceptable by formal and informal criteria;

Rituals: Expressive events that support and reinforce organisational standards and values;

Openness, Communication, and Supervision: The amount and type of interchange permitted; the communication flow can be downward, upward, across the organisation, and in other directions as spelled out by the culture;

Market and Customer Orientation: The extent to which the organisation is responsive to its markets and customers;

Excitement, Pride, and *esprit de corps*: A tangibly good feeling about the organisation and its activities;

Commitment: The willingness of the individuals to work toward goals on a continuing basis.

Activity A

Note down the 21 factors mentioned above, on three different sheets. Discuss with three executives working in different organisations, about how do they feel about each of the 21 factors while working for the organisation. You might find different pictures of organisational culture in different organisations.

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17.3 BASIC ELEMENTS OF CULTURE

According to Schein there are three basic elements of organisational culture:

Artifacts: It is the first level of organisational culture. It is observable symbols and signs of the organisations. It includes visible parts of organisation e.g., structures, processes etc. Artifacts are hard to decipher.

Espoused Values: These are the reasons (e.g., strategies, goals, philosophies) given by an organisation for the way things are done. It is the second level of organisational culture.

Basic Assumptions: Basic assumptions are the beliefs that are taken for granted by the members of an organisation. These are ultimate source of values and action that include: unconscious, perceptions, taken-for-granted beliefs, thoughts, feelings etc. It is the third level of organisational culture.

Organisational culture may be distinguished with respect to their core basic values. Core values are the primary or dominant values that are accepted throughout the organisation. The dominant values determine the dominant culture of an organisation. Thus, the dominant culture reflects the core values that are shared by most of the members of the organisation. According to Martin there are four such core basic values:

- Sensitivity to needs of customers and employees;
- Freedom to initiate new ideas;
- Willingness to tolerate new risks;
- Openness to communication options.

However presence of dominant culture within the organisation does not mean that there may not be subcultures within any given culture. Particularly in large organisations there may be subcultures within the dominant culture. Subcultures are minicultures within an organisation, typically defined by department designations and geographical separation.

Some organisations may have strong culture whereas others may have weak culture. In organisations having strong cultures, core values are intensely held and widely shared. In weak cultures managerial styles may be more person-centred. Strong cultures lead to more behavioural consistency and less employee turnover. Strong cultures may also serve as substitute of formalisation.

Various studies suggest that national culture has a great impact on employees than does their organisation's culture. This factor should be taken into consideration while applying behavioural intervention in multicultural organisation.

17.4 FUNCTIONS OF ORGANISATIONAL CULTURE

Culture is the social glue that helps hold the organisation together. There are three basic functions of organisational culture:

- It provides a sense of identity for members;
- It enhances commitment to the organisation's mission;
- It clarifies and reinforces standards of behaviour.

Child has explained that culture is one of strategic tools of control in organisations. According to him cultural control helps in four areas:

- Development of strong identification with management goals;
- Development of semi-autonomous working with few formal controls;
- Having strong emphasis on selection, training and development of personnel;
- Having reward oriented climate towards security of tenure and career progression.

However there is another side of the coin. If organisational culture can be an asset, sometimes it may become liability also. There are dysfunctional effects of culture, especially a strong one, on organisational effectiveness. Some of the barriers created by especially a strong organisational culture are following:

Barrier to Change: Consistency of behaviour is an asset to an organisation when it faces a stable environment. It may, however, burden the organisation and make it difficult to respond to changes in the environment.

Barrier to Diversity: Especially in multicultural organisations, people from different cultural background may bring diverse strength to the work place. Yet these diverse strengths and behaviours are likely to diminish in strong organisational culture due to strong pressure for conformity. Again, organisational culture may become liability if it creates institutional bias or perpetuates insensitive approach to people from different cultural background.

Barrier to Acquisition and Merger: During acquisition and merger, high degree of cultural confluence takes place. When two or more companies having different organisational culture are merging, all need to evolve a unique culture for the newly emerged organisation. However if one or more partners are having stubbornly strong culture, the culture may play negative role in the whole episode of acquisition and merger.

Check Your Progress A

1) How culture in an organisation gets established?

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2) What purpose organisational culture serves in an organisation?

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5.5 FACTORS INFLUENCING ORGANISATIONAL CULTURE

In an organisation culture begins through various forces. Once organisational culture is created, the culture is sustained through various other forces. After this stage cultures are formed and then employees learn culture by merely existing in a particular cultural environment. Let us now learn the beginning of culture, sustaining the culture, formation of culture, and learning the culture by employees.

The process of culture creation occurs in three ways:

- Employers only hire and keep employees who think and feel the way they do;
- Employers indoctrinate and socialise these employees; and
- Top management own behaviour acts as a role model that encourages employees to identify with them.

Three forces play important part in sustaining a culture:

- Selection practices;
- Actions of top management; and
- Socialisation method.

An organisational culture is thus formed through interaction of various forces. Mainly these forces are: philosophy of organisation; selection criteria; top management as role model; and, socialisation process. Employees come to know about their organisation's culture through various mechanisms. Some important key mechanisms involved are discussed below:

Symbols: These are material objects that connote meanings and extend beyond their intrinsic content;

Stories: Stories illustrate key aspects of an organisation's culture, and telling them can effectively introduce or reaffirm those values to employees;

Jargon: It is the special language that defines a culture;

Ceremonies: These are repetitive sequences of activities that express and reinforce the key values of the organisation, which are more important goals, which are important people, and which are expendable; such special events commemorate Corporate values;

Statement of Principles: It is done to define culture in writing; some organisations have explicitly written their principles for all to see.

17.6 IMPACT OF ORGANISATIONAL CULTURE

Various studies have suggested that there are some factors responsible for making the organisational cultures more successful than others. One study by Kotter and Heskett indicate that culture has a strong impact on the performance of organisations. The study has four main conclusions:

- Corporate culture can have a significant impact on a firm's long-term economic performance;
- Corporate culture will probably be an even more important factor in determining the success or failure of firms in future;
- Corporate cultures that inhibit strong long-term financial performance are not rare; they develop easily, even in firms where there are full of reasonable and intelligent people;
- Although tough to change, corporate cultures can be made more performance enhancing.

In an organisation, combination of objective factors (innovation, risk taking, attention to detail, outcome orientation, people orientation, team orientation, aggressiveness, stability) are perceived as organisational culture, having either high strength or low strength or in between, which leads to performance and satisfaction.

Impact of culture on organisation's effectiveness is both functional as well as dysfunctional. On the positive side, culture has impact on control, normative order, innovation, promotion, and employee's performance and satisfaction. On the negative side culture may lead to groupthink, collective blind spots, resistance to change and innovation.

17.7 CULTURE-PERSON COMPATIBILITY

Culture is basically not a subject of evaluative study rather is basically a descriptive study. Every type of culture has its functional as well as dysfunctional aspects. It would be interesting to see that different types of culture suit to different types of person. Study of Goffee and Jones suggest that there are two factors, which determine organisational culture. The first is sociability. It is consistent with a high people orientation, high team orientation, and focus on processes rather than outcomes. The second is solidarity. It is a measure of task orientation, and is consistent with high attention to detail and high aggressiveness. The two dimensions may be either high or low in a particular culture.

These two dimensions yield four types of distinctive organisational culture which are discussed below:

- **Networked culture (high on sociability; low on solidarity):** Positive aspect of this culture is open sharing of information; negative aspect includes tolerance for poor performance and creation of political clique. You might fit into networked culture if you possess good social skills and empathy;

you like to develop close work-related friendships; you thrive in a relaxed and convivial atmosphere; and you are not obsessed with efficiency and task performance.

- **Mercenary culture (low on sociability; high on solidarity):** Positive aspect is strong focus on goal and objectivity; negative aspect includes inhuman treatment to people who are perceived as low performers. You are likely to fit in well in mercenary culture if you are goal oriented; thrive on competition, like clearly structured work tasks, enjoy risk taking, and are able to deal openly with conflict.
- **Fragmented culture (low on sociability; low on solidarity):** Employees are judged solely on individual's productivity; negative aspect include excessive critiquing of others and absence of team spirit. Perhaps you are made for fragmented culture if you are independent; have a low need to be part of a group; are analytical rather than intuitive; and have a strong sense of self which is not easily perturbed.
- **Communal culture (high on sociability; high on solidarity):** Positive aspect is a feeling of belonging yet a ruthless focus on goal achievement; negative aspect includes hyper intervention of the leader who tends to create disciples rather than followers. You may fit into communal culture if you have a strong need to identify with something bigger than yourself, enjoy working in teams, and are willing to give first priority to the organisation.

17.8 DEVELOPING ORGANISATIONAL CULTURE

In order to develop organisational culture, a starting point, of course, is knowing what an organisation's culture is supposed to look like. If the ideas of Robbins and Kilmann are pooled with the idealistic writings of Rensis Likert, a perfected culture might develop. We could propose that an ideal culture for the accomplishment of an organisation's goals might be one in which:

- The organisation's goals are established and reviewed periodically through the participation of all individuals and groups in the organisation.
- Decisions are made at the appropriate level in the organisation by the people who must live with the decision.
- Behaviour is supportive of the organisation's goals and purposes.
- The organisation is supportive of the needs of the individual employees.
- Individuals and groups show high levels of trust and respect for other individual and groups.
- Superiors and subordinates have a high level of trust and confidence in each other.
- Cooperation and teamwork exist at all levels in the organisation.
- Methods of reinforcement used are primarily rewards and participation.
- Individuals are cost conscious.
- Messages move upward, downward, or across the organisation as needed to get information to the appropriate places.
- Subordinates accept downward communication with an open mind.
- Upward communication is accurate and is received with an open mind.
- Changes are initiated to improve performance and goal attainment.

- Changes are received and accepted openly.
- Individuals speak with pride about themselves and their employer.
- The time individuals spend performing tasks is related to the contributions of the tasks toward the achievement of the organisation's goals.
- Individuals are motivated through enjoyment from achieving the organisation's goals.
- Conflict is seen not as a destructive force but as a potentially constructive activity.

The idealistic culture may seem unrealistic, and in many situations it probably is. Management's role, however, is to achieve as much of this as is possible.

The usual starting place for the planning and designing of an organisation's culture comes after mission statements have been created. Mission statements identify the purposes and directions an organisation plans to pursue. Typically mission statements will include the products or services to be offered, the customers who will be targeted, the stakeholders with whom the organisations will interact, the organisation's responsibilities to its stakeholders, and other goals that will give direction to an organisation's efforts. Value declarations may also be included to reveal how an organisation's commitments will be actualised.

When mission statements have been completed and accepted, management's responsibilities for providing the appropriate structure for goal achievement begin. The formal structure (as well as informal pattern of interaction) contribute to the culture of an organisation by laying the foundations, establishing planned relationships, and outlining the general boundaries in which organisational activity will take place.

Many a times only stating mission statement and providing suitable structure may not help in achieving required organisational culture. Change in organisational culture may require one or all of the following additional steps:

- Change reward systems.
- Add new members.
- Implement culture shock.
- Change the key personnel in top management.
- Involve people.

17.9 CONCEPT OF ORGANISATIONAL CLIMATE

Though organisational culture and organisational climate are sometimes used interchangeably, some important differences between these two concepts have been recognized. Whereas organisational culture is concerned with the nature of beliefs and expectation about organisational life, climate is an indicator of whether those beliefs and expectations are being fulfilled. Basically organisational climate reflects a person's perception of the organisation to which he/she belongs. Organisational climate is a set of characteristics and factors that are perceived by the employees about their organisations, which serve as a major force in influencing their behaviour. These factors include: job description, organisational structure, performance and evaluation standards, leadership style, challenges and innovations, organisational values, decision making processes, motivation, communication, goals, control processes and so on.

Organisational climate can be said to relate to the prevailing atmosphere surrounding the organisation, to the level of morale, and to the strength of feelings of belonging, care and goodwill among members. According to Tagiuri and Litwin, organisational climate is relatively enduring quality of the internal environment of an organisation that:

- is experienced by its members;

- influences their behaviour;
- can be described in terms of the values of a particular set of characteristics of the organisation.

Hodgetts has classified organisational climate into two major categories. He has given an analogy with an iceberg where there is a part of the iceberg that can be seen from the surface and another part that is under water and is not visible. The visible part that can be observed or measured include the structure of hierarchy, goals and objectives of the organisation, performance standards and evaluations, technological state of the operations and so on. The second category contains factors that are not visible and quantifiable and include such subjective areas as supportiveness, employees' feelings and attitudes, values, morale, personal and social interaction with peers, subordinates and superiors and a sense of satisfaction with the job.

17.10 DIMENSIONS OF ORGANISATIONAL CLIMATE

There have been many studies on dimensions of organisational climate. Such studies have helped us to understand what do influence organisational climate:

Likert has proposed six dimensions of organisational climate: leadership, motivation, communication, decisions, goals, and control.

Litwin and Stringer have proposed seven dimensions of organisational climate: conformity, responsibility, standards, rewards, organisational clarity, warmth and support, and leadership. They have also emphasized motivational framework of organisational climate. Motivational framework of climate include motives of:

Achievement: concern for excellence;

Expert Influence: concern for making impact on others;

Control: concern for power and orderliness;

Extension: concern for others, and for macro issues;

Dependency: concern for being in close touch with others in a significant way;

Affiliation: concern for building and maintaining close personal relationships.

On the basis of review of various studies and discussions with managers, Pareek has identified twelve processes of organisational climate. Let us learn them briefly.

Orientation: Priority of members may range between concern to adhere to established rules, to concern for excellence and achievement.

Interpersonal Relationships: Depending on the pattern of relationship it may lead to climate of clique formation, or climate of control, or a climate of dependency etc.

Supervision: Depending on supervisory style, the climate may be of extension or it may be of affiliation, or even less Managealienation.

Problems : Problems may be taken as an opportunity or irritants; manager may solve problems alone or jointly by the superior and the subordinates.

Management of Mistakes: Attitudes towards mistakes may be of tolerance or of annoyance; such attitudes contribute to organisational climate.

Conflict Management: Conflict may be perceived as opportunity or as threat; such perceptions influence organisational climate.

Communication: Direction, dispersement, mode and type of communication influence climate of an organisation.

Decision Making: Levels at which decisions are taken, degree of participation in decision making are the issues, which influence organisational climate.

Trust: Degree of trust or its absence influence organisational climate.

Management of Rewards: Perception about what is rewarded in the organisation influences the organisational climate.

Risk Taking: It is an important determinant of climate.

Innovation and Change: Styles of managing change and innovations are critical in establishing climate.

Check Your Progress B

1) Do you have reasons to believe that different organisational climate may suit to different types of persons?

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2) What are the main determinants of organisational climate?

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17.11 CREATING FAVOURABLE ORGANISATIONAL CLIMATE

Organisational climate influences the level of morale and attitudes, which members of the organisation bring to bear on their work performance and personal relationships. Thus, it is important to build a healthy organisational climate. A healthy organisational climate might be expected to exhibit such characteristic features as:

- the integration of organisational goal and personal goals;
- a flexible structure with a network of authority, control and communications, and with autonomy for individual members;
- styles of leadership appropriate to particular work situations;
- mutual trust, consideration and support among different levels of the organisation;
- recognition of individual differences and attributes, and of people's needs and expectations at work;
- attention to job design and the quality of working life;
- challenging and responsible jobs with high performance standards;
- equitable systems of rewards based on positive reinforcement;
- opportunities for personal development, career progression and advancement;
- justice in treatment, and fair personnel and industrial relations policies and practices;
- the open discussion of conflict with emphasis on the settlement of differences without delay or confrontation;

- democratic functioning of the organisation with full opportunities for genuine consultation and participation;
- a sense of identity with, and loyalty to, the organisation and a feeling of being a needed and important member of the organisation.

In order to establish a functional organisational climate, various interventions have been identified which lead to organisational development. One of such intervention is building organisational ethos through OCTAPACE profile, developed by Pareek. It suggests to establish: Openness, Confrontation, Trust, Authenticity, Proaction, Autonomy, Collaboration, and Experimentation. Once these eight factors are established in the organisation it may lead to healthy organisational climate.

A healthy climate will not by itself guarantee improved organisational effectiveness. However, an organisation is unlikely to attain optimal operational performance unless the climate evokes a spirit of cooperation throughout the organisation, and is conducive to motivating members to work willingly and effectively.

Activity B

Discuss about OCTAPACE profile in your group. Discuss where your group stands on each factor, and how can they be improved in your group.

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17.12 LET US SUM UP

Organisational culture determines the way members of an organisation interact with one another and with outsiders. Culture provides system of shared meaning among members. The basic elements of culture are : artifacts, espoused values and basic assumptions. The major functions of organisational culture include : sense of identity, enhancement of commitment and reinforcement of behaviour. Moreover, strong organisational culture may also create some barriers; like barriers to change, diversity and acquisition and merger. Several factors influence organisational culture. These factors help in creation and sustaining of culture in an organisation. Employees understand organisational culture through symbols, stories, Jargon, ceremonies and statement of principles. Culture has a strong impact on the performance of the organisation. The distinctive organisational culture may be classified into : networked culture, mercenary culture, fragmented culture and communal culture. Organisational culture creates its impact on work place, hence, we must develop ideal organisational culture for smooth functioning of all members of the organisation. Organisational climate is a measure of how do members perceive the organisation. It can be explained in terms of its dimensions. The process of organisational climate include : orientation, interpersonal relationship, supervision, problems, management of mistakes, conflict management, communication, decision making, trust, management of rewards and innovation and change. The favourable organisational climate leads to perceived equality and more effectiveness.

17.13 KEY WORDS

Culture: That determines the way members interact with one another and with outsiders.

Mission Statement: Identifying the purposes and directions of an organisation and plans to pursue.

Organisational Climate: A set of characteristics and factors that are perceived by the employees about their organisations.

Organisational Culture: System of shared meaning among members.

Subcultures: Minicultures within an organisation.

Strong Cultures: Cultures in which core values are intensely held and widely shared.

Sociability: Measure of high people orientation, high team orientation, and focus on processes rather than outcomes.

Solidarity: Measure of task orientation, and is consistent with high attention to detail and high aggressiveness.

17.14 TERMINAL QUESTIONS

- 1) What do you mean by Organisational Culture ? Discuss the main characteristics of organisational culture?
- 2) What are the functions of organisational culture? Describe the basic elements and determinants of organisational culture?
- 3) How does organisational culture create its impact on work place? Suggest measures for developing organisational culture.
- 4) Explain dimensions of organisational climate. How favourable organisational climate can be created?

Note : These questions will help you to understand the unit better. Try to write answers for them. Do not submit your answers to the university for assessment. These are for your practice only.

